

Message Text

CONFIDENTIAL

PAGE 01 SEOUL 04391 250416Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 AID-05 EB-08 TRSE-00
COME-00 OMB-01 CIAE-00 INR-10 NSAE-00 /051 W
-----108979 250909Z /15

R 250316Z MAY 78
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 1276
INFO AMEMBASSY TOKYO
AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY RANGOON
AMEMBASSY SINGAPORE
AMEMBASSY TAIPEI
AMEMBASSY PARIS

C O N F I D E N T I A L SEOUL 4391

DEPT PASS EXIM BANK

E.O. 11652: GDS
TAGS: BENC, EAIR, EAID, ETRD, EFIN, KS, JA, KN
SUBJECT: JAPANESE AID UNTYING AND YEN CREDITS; U.S. AIRCRAFT FOR KAL

REFS: A) SEOUL 3993 (NOTAL); B) STATE 131106; C) TOKYO 4378

1. BEGIN LIMITED OFFICIAL USE - IN CONVERSATIONS WITH VISIT-
ING U.S. EXIM BANK TEAM CHO CHOONG KUN, EXECUTIVE VICE
PRESIDENT KAL, CONFIRMED THAT HE HAD SIGNED LEASE AGREEMENTS
WITH NIPPON SHIPAN CO. AND ORIENT LEASING CO. OF TOKYO FOR TWO
NEW 747'S AND ONE USED 747 (FROM ITTEL) ON OR ABOUT MAY 22. HE
SAID THAT THE TERMS OFFERED WERE 8.3 PERCENT FIXED FOR 10 YEARS
WITH NO KDB GUARANTEE OR 8 PERCENT FLAT INTEREST WITH KDB
GUARANTEE (WHICH WOULD ADD .75 PERCENT TO THE INTEREST CHARGES
KAL MUST PAY).THE TERMS INVOLVE NO OTHER FEES AND ARE BASED
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ON A \$250 MILLION JAPANESE EXIM BANK LOAN TO THE
JAPANESE LEASING COMPANIES. THE ARRANGEMENT IS A LEASE
PURCHASE FOR WHICH THE SECUIRTY IS MORTGAGES ON THE
PLANES WHICH WILL BECOME KAL PROPERTY UPON PAYOUT. THE
FUNDS WILL BE AVAILABLE FOR KAL USE UNTIL MARCH 31,
1979. CHO STATED THAT KAL WILL ALSO OBTAIN ONE 747 OR
DC10 IN 1980 ON THE SAME BASIS. FROM THE KAL POINT OF

VIEW THE TERMS ARE SO GENEROUS AS TO BE IMPOSSIBLE TO REFUSE.

2. AMERICAN BANKERS RESIDENT IN SEOUL HAD PREVIOUSLY VOICED VERY STRONG DISSATISFACTION TO EXIM BANK GROUP BEFORE RECEIVING ABOVE INFORMATION FROM KAL. BANKERS UNDERSTANDABLY ARE CONCERNED AT LOSS OF SIZEABLE BUSINESS OPPORTUNITIES IN FINANCING KAL PLANES WHICH ARE NOW BEING DENIED THEM FOR SEVERAL YEARS. - END LIMITED OFFICIAL USE.

3. BEGIN CONFIDENTIAL - IN PASSING MR. CHO RECALLED THAT THE TERMS FOR PURCHASING SIX AIR BUSES SEVERAL YEARS AGO WERE 6.5 PERCENT INTEREST FOR 12 YEARS EVEN THROUGH LIBOR AT THE TIME WAS 10 PERCENT. HE BOUGHT THE AIR BUSES PRIMARILY BECAUSE THE AIR FRAMES WERE BASICALLY U.S. STANDARD AND ENGINES WERE BASICALLY 88 PERCENT PARTS INTERCHANGEABLE WITH DC10 ENGINES. AFTER SIGNING CONTRACT WITH AEROSPATIALE CHO RETURNED TO SEOUL AND WAS IMMEDIATELY ORDERED BY ROKG TO RETURN TO PARIS TO CANCEL THAT CONTRACT UNLESS FRENCH CANCELLED EFFORTS TO SELL \$70 MILLION IN MILITARY HELICOPTERS TO NORTH KOREA. AEROSPATIALE AND FRENCH AIR FORCE REPS HAD GONE TO PYONGYANG THREE TIMES, ACCORDING TO CHO, IN PURSUIT OF THE HELICPOTER CONTRACT. KAL GAVE THEM ONE WEEK TO DECIDE ON CANCELLING NORTH KOREAN DEAL
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BEFORE TEARING UP THE CONTRACT WITH KAL FOR 6 AIR BUSES. MR. CHO SAID THAT THE FRENCH GOVERNMENT INDEED CAVED IN, DROPPING ITS PLANS TO DEAL WITH NORTH KOREA WITHIN 10 DAYS AFTERWARD. - END CONFIDENTIAL.
SNEIDER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AIRCRAFT, ECONOMIC ASSISTANCE, CREDIT, CURRENCIES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SEOUL04391
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780220-0956
Format: TEL
From: SEOUL
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780519/aaaaapox.tel
Line Count: 99
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 03b0ba96-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 SEOUL 3993, 78 STATE 131106, 78 TOKYO 4378
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2567602
Secure: OPEN
Status: NATIVE
Subject: JAPANESE AID UNTYING AND YEN CREDITS; U.S. AIRCRAFT FOR KAL
TAGS: BENC, EAIR, EAID, ETRD, EFIN, KS, JA, KN, KAL
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/03b0ba96-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014